MONTANA

DRINKING WATER STATE REVOLVING FUND

ANNUAL REPORT

FOR STATE FISCAL YEAR 2004
(JULY 1, 2003 THROUGH JUNE 30, 2004)

Prepared by

Montana Department of Environmental Quality
and
Department of Natural Resources and Conservation

for
EPA Region VIII
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MONTANA
DRINKING WATER STATE REVOLVING FUND (DWSRF)
ANNUAL REPORT
STATE FISCAL YEAR (SFY) 2004

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I. INTRODUCTION

This Annual report adheres to the Operating Agreement negotiated between the State of Montana and the Environmental Protection Agency (EPA) concerning the administration of the Drinking Water State Revolving Fund (DWSRF). The annual report summarizes DWSRF activities for the state fiscal period beginning July 1, 2003 and ending June 30, 2004 (SFY04).

The DWSRF program was established as a result of the 1996 Amendments to the Federal Safe Drinking Water Act, which provided the authority for EPA to make capitalization grants to states. The grants, in conjunction with state matching funds, are used to provide financial assistance for the construction of drinking water projects and to support administration of the state program.

In anticipation of the 1996 Amendments to the Federal Act, the 1995 State Legislature, under Title 75, Chapter 6, Part 2, Montana Code Annotated, passed the enabling legislation, entitled the Safe Drinking Water Treatment Revolving Fund Act, giving authority to the Montana Department of Environmental Quality (DEQ) and the Department of Natural Resources and Conservation (DNRC) to adopt administrative rules to implement the program. Legislation also provided the ability to generate state match funds, through the sale of state General Obligation Bonds (GO Bond Authority). Amendments to the Drinking Water State Revolving Fund Act were passed in the 1997, 1999, 2001, and 2003 Legislative Sessions. The 1997 amendments changed the title of the Act from “Safe Drinking Water Treatment Revolving Fund Act” to the “Drinking Water State Revolving Fund Act” and also made other changes consistent with the Federal Act. During the 1999 Legislative Session, the 1999 amendment clarified the transfer language between the DWSRF and Water Pollution Control State Revolving Fund (WPCSRF) Programs and added GO Bond Authority. The 2001 Amendment authorized the program to advance funds to projects funded, in part, by the federal government when federal funding has been approved but not appropriated. This provides interim financing until those federal funds become available. The 2003 Amendment increased GO Bonding Authority by $10 million, raising the total to $30 million.

II. EXECUTIVE SUMMARY SFY04

During SFY04 Montana was awarded it’s seventh capitalization grant in the amount of $8,004,064 for FFY03.

Since the inception of the DWSRF, Montana has issued four GO bonds and one Bond Anticipation Note (BAN). The proceeds of which have been used as state match for loans, set asides, and program administration. Montana issued its first GO bond in October 1998 (SFY99), the second GO Bond in April 2000 (SFY00), the third GO bond in June 2001 (SFY01) and fourth GO Bond in June 2003 (SFY03). The total amount of bonds issued to date is $10,920,000. A summary of these bond issues is provided in Exhibit 1. Montana is planning for its fifth GO Bond in calendar year 2004.

Exhibit 1, Sources of DWSRF Funds Through SFY04, provide a complete tabulation of capitalization grant awards received through June 30, 2004, projected state match, binding

commitments for loan projects through SFY04, and GO bonds and BANs issued for state match. The combination of capitalization grants and bond proceeds provide the needed funds for DWSRF projects, set asides, and program administration during SFY04. In addition, DNRC provided a portion of their program administration services as an in-kind contribution in the amount of $-0- for SFY04.

During SFY04, the DWSRF program executed 13 project binding commitment agreements totaling $7,493,780, and increases of two prior commitments in the amount of $687,000, with total commitment of funds of $8,180,780 for the period. For a detailed breakdown of all DWSRF binding commitments signed and key dates of project activity that occurred in SFY04, refer to Exhibit 2: DWSRF SFY04 Binding Commitments Executed. See Exhibit 3 and 4 for the closed loans.

Detailed information concerning use of DWSRF funds, accomplishments of the program and adherence with the stated goals of the program are provided on the following pages.

III. GOALS OF THE DWSRF

Long-Term Goals

1. To continue building and maintaining a permanent, self-sustaining state revolving fund program that will serve as a cost-effective, convenient source of financing for drinking water projects in Montana.

   Projects funded during SFY04 met all program requirements governing financial capability to assume debt. Two of eight projects received an interest rate of 3.75% on their loans (well below market rates) and six of the eight qualified for an interest rate of 2.75% under the disadvantaged community criteria. These factors illustrate that the assistance is affordable. Refer to Exhibit 3 & 4. A copy of the cash flow with all the activity through SFY04 is included in the report as Appendix A.

2. To provide a financing and technical assistance program to help public water supplies achieve and maintain compliance with federal and state drinking water laws and standards for the protection and enhancement of Montana's public drinking water.

   To promote the availability of these DWSRF program services during SFY04, DWSRF staff presented information at a variety of events. These included four infrastructure workshops and the annual Montana Rural Water Systems conference, as well as meeting one on one with community leaders.

   Please also refer to the project descriptions and discussion of set-asides provided in Section V: Details of DWSRF Activity.

Short-Term Goals

1. Continue implementation and maintain the Drinking Water State Revolving Fund Program in Montana.

   Montana received approval of its DWSRF program and award of the FFY97 capitalization grant on June 30, 1998 and six additional capitalization grants have been received since that time.

2. Ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities.

   The trained technical staff of the Planning, Prevention and Assistance Division (PPAD) continues to use the DWSRF Handbook of Procedures and knowledge gained from many years of operating the WPCSRF Program to ensure that this objective is met. The Handbook of Procedures is used as a guide to ensure that all state and federal laws governing the technical aspects of each project are satisfied.

   Steps were taken to update the Handbook of Procedures and streamline checklists and processes. This project was completed in early SFY02. A final revised edition was submitted to EPA in September 2001.

   Staff attends training seminars and workshops to maintain and improve technical, financial and programmatic knowledge. In SFY04, Anna Miller, John Tubbs, Todd Teegarden and Mark Smith attended the Council of Infrastructure Financing Authorities (CIFA) National Workshop; Anna Miller, John Tubbs, Bob Fischer, Marc Golz, Robert Ashton and Mark Smith attended the Montana Rural Water Systems Conference; Gary Wiens, Robert Ashton, Mark Golz, and Mark Smith attended the Montana AWWA Conference; Anna Miller, John Tubbs, and,Mark Smith attended the CIFA Legislative Conference. Marc Golz also attended the annual meeting of the American Council of Engineering Companies of Montana.

3. Ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment.

   See Appendix A: Cash Flow Model SFY04.

4. Ensure compliance with all pertinent federal, state, and local safe drinking water rules and regulations.

   To the best of our knowledge, the DWSRF program has ensured Public Water Supply Supervision (PWSS) compliance through the projects that have been funded and the various set-aside activities. Close coordination with the PWSS program has been essential in this effort.

   The only exception is the project for the City of Boulder, which was funded in SFY 2000. The community historically had copper exceedances and was out of compliance with the Lead and Copper Rule. Extensive distribution system replacement was intended to mitigate the problem. Additional evaluation and corrective action are being planned at this time.

5. Obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the set-aside activities not directly related to the loan portfolio.

   Since the approval of its DWSRF loan program and first capitalization grant award, Montana has been awarded six more capitalization grants, utilized the provision to transfer funds between the WPCSRF and DWSRF, and generated other revenue from loan repayments and interest investments. The loan fund now totals over $58,705,604.

IV. FINANCIAL REPORTS

The Montana Legislative Audit Division (LAD) has completed their audit work of the SFY03. Financial statements were presented to the Legislative Audit Committee (LAC) in March 2004. An unqualified opinion was issued for the financial statements. A copy of the report was submitted to EPA Region VIII.

DEQ and DNRC engaged LAD to audit the State Revolving Fund financial activity beginning in SFY98. This decision was based on a new audit requirement conveyed in a directive from the Office of Water, Inspector General's Office, and the Office of Management and Budget. Prior to SFY98, LAD performed an annual review.

A copy of the SFY04 un-audited financial statements, including footnotes is attached as Appendix B of this report. The SFY04 audit should be complete by May 2005.

V. DETAILS OF DWSRF ACTIVITY

A. LOAN ASSISTANCE

During SFY04 the DWSRF program closed eight loans; signed thirteen project binding commitment agreements; and increased two binding commitments.

Project Bypass

If it is determined by DEQ that a project or projects are not ready to proceed or that the project sponsors have chosen not to use the Drinking Water SRF funds, other projects may be funded in an order different from that indicated on the priority list. If DEQ chooses to bypass higher ranked projects, it should follow the bypass procedure.

Montana bypassed 116 projects on its Priority List with the funding of the City of Hamilton ranked 124. Seven other loans were closed. Refer to Exhibit 3: DWSRF Capitalized Grant Closed Loans For SFY04 and Exhibit 4: DWSRF Recycled Closed Loans For SFY04. The notification included the proposed projects to be funded, and the assurance that funds were still available for all loan applications anticipated at that time. All communities on the Priority List were notified in accordance with the above procedures, and no responses were received. No emergency projects were funded in SFY04.

Disadvantaged Communities

Communities seeking a Drinking Water SRF loan that meet the disadvantaged community criterion described in the Intended Use Plan may receive an additional subsidy on their SRF loans, beyond the standard below-market rate financing. This includes communities that will meet the disadvantaged criterion based on projected rates as a result of the project.

In SFY04, Montana closed six loans at a 2.75% interest rate, in the amount of $1,830,200, no other communities satisfied the disadvantaged criteria. In SFY05 we will have several loans with communities that qualify for the disadvantaged interest rate.

Small Systems

The table below shows the breakdown of the population served by our loans in FY04. We have eight loans for a total of $2,484,200. All of these loans are with small systems that serve a population of less than 10,000 people. Small systems represent 100% of the loans made in FY04**.**

Public Water Supply	Population	Loan Amount
1. Hamilton (II-A)	3705	$500,000
2. Hamilton (II-B)	3705	$318,000
3. LaCasa Grande	500	$500,000
4. Phillips Co. – Green Mdws	45	$100,000
5. Phillips Co. – Green Mdws	45	$65,000
6. Power-Teton Co.	170	$400,000
7. Sheridan	659	$265,200
8. Three Forks	1728	$336,000
TOTAL		**$2,484,200**

Projects Provided Funding

Following is a brief summary of the projects that began or continued activity during SFY04:

Big Sky County Water and Sewer District

The Big Sky County Water and Sewer District loans were to: A) fund a project to finish installing water meters in the Meadow Village system, and B) fund the construction of a new pre-stressed concrete storage reservoir, and associated distribution work. The distribution work includes a booster station, 4 pressure-regulating stations and the mainline from the tank to the existing distribution system. Construction of these projects is complete, however the final draw has not been made and is pending final acceptance of the project by Big Sky. The projects help Montana meet its intended use plan goals of improving public health protection by improving distribution system pressures and eliminating old and dysfunctional water storage reservoirs and by encouraging conservation through the use of metering.

Town of Eureka

The Town of Eureka construction loan funded the installation of 475 new water meters, rehabilitation of an existing 0.5 MG steel reservoir and a deep well, and construction of a new ultraviolet disinfection system and 30-inch distribution main. In 1998 the primary water source for the town was classified as groundwater under the direct influence of surface water. The new disinfection facilities were constructed to meet the criteria to avoid filtration of surface water. The disinfection facilities were also designed to comply with the future requirements of the Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR). The total loan amount is $619,000. Construction began in the spring of 2002 and was completed in December 2002. This project helps Montana meet its intended use plan goals of ensuring the technical integrity of the project and funding a project that addresses public health protection through compliance with the Surface Water Treatment Rule and the upcoming LT2ESWTR.

Gardiner-Park County Water District

The Gardiner-Park County Water District loans funded distribution system improvements and a pilot study for Arsenic removal treatment. Water mains that were undersized and/or not buried deep enough to prevent freezing, were leaking, or were in danger of failure, were replaced. A loan for water main replacement was made in the amount of $170,000 (Loan A). The construction of the main replacement is complete. The final draw has been made and the final loan amount was $161,504. The project helps Montana meet its intended use plan goals by proactively addressing distribution system problems, building system capacity and by ensuring the technical integrity of the project.

City of Great Falls

The City of Great Falls engineering and construction loan has funded several separate projects. One project was an engineering study to evaluate the condition of the distribution system storage reservoirs. Another project is replacing existing deteriorated water mains. Also, a previous main replacement project was refinanced. The authorized loan amount is $3,000,000 and the loan closed on December 21, 2000. Replacement of existing deteriorated mains is on going at this time. However, it is expected that all work funded by this loan will be complete before the end of state fiscal year 2005. This project helps Montana meet its intended use plan goals by protecting public health through replacing leaking and deteriorated pipes and proactively addressing the maintenance of its storage reservoirs.

City of Hamilton

The City of Hamilton loan financed the construction of a 1.0 million gallon prestressed concrete storage reservoir, a new boost pump facility, the development of three wells, and the replacement of the City's downtown distribution system. Construction began in March, 2004, and was substantially complete except for the boost pump station in August, 2004. The boost pump station is scheduled for completion in September, 2004. The loan was phased to provide two interest rates. Additionally, a phase was provided from recycled funds to provide match money for a $385,000 STAG grant. The total loan amount is $1,418,000, all of which has been disbursed.

LaCasa Grande

LaCasa Grande Water and Sewer District construction loan is funding the construction of water system improvements to improve the historically low pressure and flow conditions present in the existing system. These improvements consist of an additional new well, a ground level bolted steel storage reservoir, a pumping station, some distribution system upgrades, and service meters. The initial loan amount is $150,000, and an additional loan for $500,000 was closed in SFY04. Construction began in March 2003, and completion is expected in November 2003. This project helps Montana meet its intended use plan goals of ensuring the technical integrity through review of engineering designs,, and funding a project that addresses public health protection. By providing sufficient water flow and pressures, the risk of contamination

through backflow is greatly reduced.

City of Laurel

The City of Laurel Water Treatment Plant and Water Main Improvements consist of three separate contracts (Schedules I and II and a construction contract for a new raw water intake and pump station). The water treatment plant improvements (Schedule II) included construction of a new chlorine contact basin (clearwell) and chemical feed equipment. Modifications to the existing plant included addition and modification of existing pumps, process piping, valving, instrumentation and control system, and repair of the existing concrete sedimentation and flocculation basins. Construction work on the water main improvements (Schedule I) consisted of replacing undersized or deteriorated water mains with approximately 5400 feet of new 18-inch mains. The third phase is the construction of a new raw water intake and pump station improvements needed to ensure that an adequate quantity of raw water is available during low flow conditions in the Yellowstone River. Construction of the third phase began in January 2003 and was completed in February 2004. This project helps Montana meet its intended use plan goals by correcting deficiencies that could have a potentially negative impact on public health and providing compliance with the surface water treatment rule for disinfection requirements.

Town of Philipsburg

The Town of Philipsburg loan was used to finance the construction of a boost pump station and 3,000 lineal feet of transmission main from a natural spring to the system's main storage reservoir in an effort to raise the pH and reduce the corrosivity of the community's drinking water supply. Completed in 2003, the project was successful in raising pH. Tap samples to be taken prior to the end of 2004 will be analyzed for the requirements of the Lead and Copper Rule. The total loan amount is $238,322, all of which has been disbursed.

Phillips County – Green Meadows Water District

The Phillips County - Green Meadows Water District construction loans funded design and construction of a water distribution system that connected the Green Meadows subdivision with Malta's community water system. The previous water system was installed in the 1970s and relied on two remote wells and an undersized, un-looped distribution system. The community was experiencing low pressure and low flow conditions during times of high demand. The project included the installation of a looped distribution system, fire hydrants, service meters, and a connection to Malta's municipal water supply. The project was funded using a $165,000 Drinking Water SRF loan. Construction began in April 2004 and was completed in June 2004. The final draw for this project was completed in September 2004. This project helps Montana meet its intended use plan goals by ensuring project technical integrity through the review of related engineering documents and onsite inspections, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project also addressed public health protection by increasing the quality and quantity of drinking water to the Green Meadows community.

Power-Teton County Water and Sewer District

The Power-Teton County Water and Sewer District construction loan (Phase I) funded design and replacement of the old water treatment plant. The project included the construction a new treatment plant building, clearwell tank and backwash pond. Also, included was the installation of two conventional water treatment package plants and improvements to the telemetry system. The project was funded using a $400,000 DWSRF Loan. The old treatment plant did not meet current design standards and was unable to consistently provide acceptable water quality or quantity. Construction began in October 2003 with the majority of work completed by June of 2004. The new system is operating and providing Power with quality drinking water. Final inspection, completion certification and final loan draw is expected in the fall of 2004. This project helps Montana meet its intended use plan goals of ensuring the technical integrity of the project, and ensuring compliance with applicable safe drinking water rules and regulations. Funding this project also addressed public health protection by increasing the quality and quantity of drinking water to the community of Power, Montana.

Town of Sheridan

The Town of Sheridan construction refinance loan was used to refinance a short-term construction loan. The refinancing funds came from a $165,200 DWRSF Loan This construction project replaced approximately 5,000 feet of water transmission line. New 14-inch PVC pipe was used to replace a 12-inch wooden line that had been in use since the early 1900's. The old line had to be repaired frequently and accounted for excessive water loss and increased the risk of drinking water contamination from infiltration. Construction began in November 2003 and work was competed in December 2003. The new line is fully operational and the Town of Sheridan has completed a DWSRF Refinancing Criteria Statement of Compliance. This project helps Montana meet its intended use plan goals by reducing the risk of contamination to a public drinking water system.

City of Three Forks

The City of Three Forks Water System Improvements initially consisted of two separate projects (replacement of approximately 1650 feet of water main and installation of new sequestration and disinfection facilities at three of the city's wells). The water main replacement contract was awarded in April 2004 and construction was completed in June 2004. The sequestration and disinfection improvements were initiated in May 2004 and are expected to be completed in the fall of 2004. Cost savings from the water main replacement project will allow the city to use surplus funds to drill a new well. Design of the new well will be completed in the fall of 2004 and construction will be completed early in 2005. These projects will improve the quantity and quality of the city's drinking water and enhance the town's ability to comply with state and federal regulations governing the supply of drinking water to its residents.

SUMMARY OF LOAN ASSISTANCE:

A tabulation of aggregate information can be found in Exhibit 5, History of DWSRF Binding Commitments. This table tabulates the quarterly federal payments, totals quarterly SRF binding commitments and cumulative binding commitments, and calculates Montana's achievement of its 100% binding commitment grant condition. In fiscal year 2004, the DWSRF maintained steady performance by executing project commitment agreements. The DWSRF completed SFY04 with binding commitments totaling 124% based on grant payments received four

quarters earlier. We project in SFY05 that we will execute in excess of $14,068,000 in binding commitments. See Exhibit 6: DWSRF Projected Binding Commitments SFY05.

B. FIRST-ROUND FUNDED LOANS:
First-Round loans are financed with capitalization grants and state match. The DWSRF has financed the projects listed in Exhibit 3: DWSRF Capitalized Grant Closed Loans For SFY04.

C. RECYCLED FUNDED LOANS:
Recycled loans are financed with loan repayments from first round money and funds from transfers from the WPCSRF program the projects listed in Exhibit 4: Recycled Closed Loans For SFY04. There was one loan made that used recycled funds in FY04.

D. SOURCE OF FUNDS:
Two sources of funds are used to capitalize the DWSRF: (1) the Federal Capitalization Grant, which provides 80% of the DWSRF loan funds; and (2) the state match, funded through the sale of GO bonds, which provides 20% of the DWSRF loan funds. State legislation originally authorized the sale of up to $10 million in GO bonds to match federal grant funds. In the 2003 Legislative session an additional $10 million of GO bonds was authorized for state match bringing the total authorized to $30 million. This amount is adequate to cover funds currently authorized for the program. $10,920,000 of GO bonds has been issued by the DWSRF program to use as state matching funds through SFY04. See Exhibit 1: Sources of DWSRF Funds through SFY04. In SFY 04 In-kind services of $-0- have been provided to the DWSRF program by DNRC as match to federal grant funds and were used for program administration. Also, $8,782,486 of funds have been transferred from the WPCSRF to the DWSRF for loans to date. See Exhibit 7 for a breakdown of transferred funds for SFY04. The DWSRF in FY 2004 transferred $2,559,810 to the WPCSRF program. See Exhibit 8. Also see Exhibit 8A for History of Transfer Information.

E. FEDERAL FUNDS DRAWN BY THE PROGRAM:
Exhibit 9, SFY04 Summary of Drinking Water SRF Letter of Credit to ASAP Draws shows thirty three disbursement requests totaling $4,728,475, twenty three administrative set-aside disbursement requests totaling $384,621, sixty one non-administrative set-aside requests totaling $827,780. The total federal draws for SFY 04 were $5,940,876.

F. SET – ASIDES
DWSRF Budget and Draws by Set-Asides displays the financial summary of these non-project activities, see Exhibit 10.

DWSRF Administration

The DWSRF set aside the maximum four percent from the capitalization grants for program administration. DEQ's contract with DNRC and other activities that occurred were:

- review and assistance during planning, design, project bidding and construction
- loan origination work, administering repayments
- preparation of bond issuance with state's bond counsel firm of Dorsey & Whitney
- financial modeling
- DWSRF program audit
- costs associated with the legislatively appointed advisory committee
- public comment processes

Small Systems Technical Assistance

Montana has set aside 2% (the maximum allowed) of its FFY97, FFY98, FY99, and FFY03 Drinking Water State Revolving Loan Fund grants for small systems technical assistance. An additional $135,000 was set aside from the FY04 grant for a total of $848,226. In addition, MDEQ has reserved the authority for the 2% allocation from the FFY00 and FFY01 grants. No additional funds were set aside from the FFY 02 grant, however, it is expected that a portion of future grants will be set -aside for small system technical assistance.

The set-aside is used for contracted services and administration of contracts. A contract was awarded in 1999 to Midwest Assistance Program of Montana to provide operation and maintenance technical assistance. Since implementation, the contractor has made over 650 site visits to small public water supplies for a total cost of $618,896. Evaluations of this service, conducted annually by MDEQ, indicate the program is successfully helping small public water suppliers to effectively maintain and operate their water systems. Contracted technicians help water system operators develop or enhance technical capabilities that assist them in meeting the capacity development requirements of the 1996 amendments to the Safe Drinking Water Act.

The most recent evaluation of the contract by DEQ DWSRF staff in May and June 2004 determined that the contract should be continued. The contract was renewed for state fiscal year 2005 (July 2004 through June 2005). The contracted services are provided to systems serving a population of 10,000 or less. Approximately 0.05 FTE is needed to provide contract oversight related to this set-aside.

Public Water Supply Supervision Set-Aside: Administration

This set-aside funded salaries, benefits and operating expenses for two water quality specialists that have been assigned to the Billings and Kalispell Regional Offices, respectively. In addition, three new FTEs were approved for SFY04, which required approval of a budget amendment through the legislative Executive Planning Process. Through department reorganization, one of the positions was eliminated. Because of the re-structuring of the Public Water Supply Section the two positions were not filled until June 2004. These positions will provide technical assistance to water suppliers and perform sanitary surveys. The positions will also assist in the implementation of the Lead and Copper Rule, Phase 2/5 rules, Total Coliform Rule, Consumer Confidence Report Rule, Interim Enhanced Surface Water Treatment Rule, Stage I Disinfectant/ Disinfection By-Products Rule, and perform sanitary surveys. Two positions each will be staffed in Kalispell and Billings. The set-asides also funded database development expenses associated with implementation of SDWIS/state, associated state-specific Oracle modules, and contracted to provide sanitary surveys for over 125 public water supplies.

PWSS Source Water Protection (SWP)

Section 1452(g)(2)(B) of the SDWA allows Montana to set aside a portion of the capitalization grant to "administer or provide technical assistance through source water assessment programs." Set-aside funds in the amount of $100,000 were used in State FY04 to administer the Source Water Protection Program and to provide technical assistance to local communities in the development of source water protection plans.

The specific goals achieved in State FY04 were:

- Maintain and enhance public accessibility to spatial data essential to the local development of source water protection plans through the interactive spatial data query system,
- Provided training to PWS operators, managers, and local officials in using source water delineation and assessment reports to develop local source water protection plans,
- Provided outreach to communities on source water protection,
- Provided technical support to non-profit technical assistance providers relating to source water protection plan development.

Capacity Development

The 1996 Amendments to the Safe Drinking Water Act allow states to use SRF funds to establish authority to enforce capacity requirements and to implement a capacity development strategy. This ensures that all new and existing community and non-transient non-community public water supply systems have the necessary technical, financial and managerial capability to comply with all of the primary requirements of the SDWA. EPA also requires that systems demonstrate adequate capacity in these areas as a condition of approval for Drinking Water SRF loans.

The state could have lost substantial portions of initial capitalization grants if it did not develop and implement strategies to assist existing water systems with capacity development. DEQ avoided the first of these withholding provisions by obtaining approval in 2000 of the state's Capacity Development Strategy for Existing Public Water Supply Systems. Subsequent withholding provisions, of future capitalization grants, can be avoided by adhering to the approved strategy and complying with the requirements for reporting capacity development improvements to the EPA.

The strategies are a methodology used to identify and prioritize public water systems in need of improving technical, financial, and managerial capacity (a complete copy of the capacity development strategies can be obtained from DEQ). Part of these strategies includes providing assistance to those systems by use of the set-aside funding. The state of Montana has over 1900 public water supplies. Given the large number of systems and a shortage of staff with the requisite financial and managerial experience, the department has chosen to provide these services through a contractor. The department entered into a contract with the Midwest Assistance Program in March 2001 to provide these assistance services. In the first 40 months of the contract, MAP provided in-depth financial and managerial services to approximately 69 public water systems. The contract was renewed for State Fiscal Year 2005 (July 2004 through June 2005).

PWSS Operator Certification

This set-aside has been used for personal services and operating expenses for staff in the Operator Certification Program. Set-aside funds are used to pay portions of the salary and benefits for all three full-time staff positions, as well as program operating expenses.

In the past year, the program has certified over 1500 public water system operators, including operators for approximately 660 community systems and 230 non-transient non-community systems. Certification program activities include public outreach, collection and processing of

applications, collection and processing of examination and certification fees, training, administration of exams, monitoring of continuing education credits, compliance monitoring, and assistance with formal enforcement activities. Over 95% of the public water supply systems in each category have certified operators.

The Certification Program Manager sent the draft program to EPA Region VIII and Headquarters in October of 1999 and the program was formally approved in December 2000. The latest approval of Montana's Operator Certification Program annual submittal package was received from USEPA on April 15, 2003. Positive feedback for the program has been received from both EPA Region VIII and Headquarters.

The department requested and received approval for spending authority from the 2001 state legislature for very small water system expense reimbursement grant funding. The department also requested and received approval for another full-time operator certification staff person to administer this program. EPA approved the grant application, and the reimbursement program began making reimbursements in October of 2002. Expenses associated with mandatory training expenses incurred after July 1, 2002 are eligible for reimbursement.

The department is moving forward with the conversion of our water exams to the standardized Associate of Boards of Certification exams. This includes all levels of water treatment and water distribution exams. The goal is to complete the revision of the study guides and exams the fall of 2004.

Local Assistance and Other State Programs - Source Water Delineation and Assessment and Wellhead Protection

Montana used funds from the Source Water Assessment set-aside for delineation and assessment work. The Montana SWP Program was submitted to EPA in January 1999, following an extensive development process that included advisory council input as well as consideration of comments received through public meetings held around the state and an Internet based enhanced public participation project. EPA approved the program in November 1999.

Implementation of the Montana SWP Program continued in SFY04 through the completion of source water assessment reports for public water supplies by DEQ staff and by contractors with approximately 55% of the required reports either completed or in progress at the end of the period. Assessment reports follow a standard format at described by the program plan. Additionally, Montana is incorporating monitoring waiver recommendations in each report in order to add value for recipient PWSs.

According to EPA, the target implementation deadline for Montana was April 24, 2003. Montana formally requested a target deadline extension through the end of State FY2006 in order to ensure adequate time is available to continue producing the high quality reports currently being completed. EPA acknowledged that request. Staff-level work plans have been completed based on the new implementation schedule end date. Funding through the Source Water Assessment set-aside was discontinued on April 24, 2003 and the balance transferred to the Wellhead Protection set-aside category pursuant to section 1452(k)(1)(D) under which wellhead assessments continued to be completed through the end of the fiscal year.

VI. GRANT CONDITIONS AND CERTIFICATIONS

The State of Montana agreed to the following conditions outlined in the Operating Agreement. These items are discussed in more detail throughout the body of this report. To the best of our knowledge, DEQ and DNRC have abided by all requirements of state and federal law in the administration of this program.

(a) Assurance that the State has the authority to establish a Fund and operate the DWSRF program in accordance with SDWA.

The State of Montana's authority was re-certified and included with our application for and award of the FFY03 capitalization grant.

(b) Assurance that the State will comply with State Statutes and regulations.

(c) Assurance that the State has the technical capability to operate the program.

(d) Assurance that the State will accept capitalization grant funds in accordance with a payment schedule.

Please see Exhibit 10: Drinking Water State Revolving Fund Fiscal Year 2004 Budget v. Draw by Category.

(e) Assurance that the State will deposit all capitalization grant funds in the Fund or Set-Aside Account.

(f) Assurance that the State will provide an amount equal to at least 20 percent of the capitalization grant (State match) in the Fund.

(g) Assurance that the State will deposit net bond proceeds, interest earnings, and repayments into the Fund.

(h) Assurance that the State will match capitalization grant funds the State uses for 1452(g)(2) set -asides.

(i) Assurance that the State will use Generally Accepted Accounting Principles.

(j) Assurance that the State will have the Fund and set-aside account audited annually in accordance with Generally Accepted Government Auditing Standards.

Please see Appendix B.

(k) Assurance that the State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments (or in the case of privately owned system, demonstrate that there is adequate security).

(l) Assurance that the State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner.

(m) Assurance that funds will be used in accordance with the Intended Use Plan.

(n) Assurance that the State will provide EPA with an Annual Report.

The submission of this document will fulfill the State of Montana's responsibility to submit a report.

(o) Assurance the State will comply with all Federal crosscutting authorities.

(p) The state agrees that it will conduct an environmental review and a determination will be executed and distributed using a state process consisting of the same level of environmental detail required under the state Environmental Review Process for the Drinking Water SRF Program.

All construction projects that received assistance during SFY04 were reviewed and approved using the Montana Environmental Policy Act (MEPA). It was determined that no Environmental Impact Statements were necessary. An Environmental Assessment was prepared and a Finding of No Significant Impact was issued for all projects.

(q) The use of set-asides for Administrative Expenses, Small Systems Technical Assistance, State Program Management (Public Water Supply Supervision, Source Water Protection, Capacity Development, and Operator Certification), and Local Assistance and Other State Programs (Source Water Delineation) will be identified each year in the IUP and established in accordance with the Drinking Water SRF Program Guidelines.

(r) Specific Requirements under Title XIV

1. In accordance with Section 1420(a) of the Safe Drinking Water Act, the state has the authority to ensure that all new community water systems and new nontransient, noncommunity water systems commencing operation after October 1, 1999, can demonstrate technical, managerial, and financial capability with respect to each national primary drinking water regulation in effect.

   EPA has reviewed and approved Montana's capacity development authority and strategies. Administrative Rules that implement Montana's strategies became effective on September 10, 1999.

2. The state currently has a water and wastewater treatment plant operators certification program within the Permitting and Compliance Division, Department of Environmental Quality.

In addition, the following conditions were given with the Capitalization Grant Award. To the best of our knowledge, DEQ and DNRC have abided by these requirements as well.

- The recipient agrees to ensure that all space for conferences, meetings, conventions, or training funded in whole or in part with Federal funds complies with the Hotel and Motel Fire and Safety Act of 1990.

- EPA Order 1000.25 Recycled Paper – DEQ is using recycled paper for printing reports to be delivered to EPA.

- Minority Business Enterprises/Women Business Enterprises (MBE/WBE) Utilization Under Federal Grants – During SFY04 loan recipients were required to comply with all Federal requirements concerning Disadvantaged Business Enterprises (DBE) Utilization either by project specification or submitting appropriate reports during construction.

- The state's fair share goal for DBE participation is 5% for SFY04 (2% MBE, 3% WBE). Refer to Exhibit 11 for the summary of the DWSRF Loans- MBE/WBE for contracts awarded during SFY04.

VII. CURRENT STATUS AND FUTURE ACTIVITIES

The DWSRF continues to use US Bank as its trustee to manage funds and accounts established under the program. To date this arrangement has been very beneficial. DNRC has internet access to US Bank accounts, which has made monthly reconciliation of WPCSRF and DWSRF accounts more timely. D.A. Davidson and Co. and Piper Jaffray Inc. continue to act as the DWSRF bond underwriters and financial advisors. Dorsey & Whitney will continue to act as DWSRF bond counsel for the general obligation bonds issued in future fiscal years.

Also, DEQ has continued work on the development of a complete database, which ultimately will include links with the DWSRF, the PWSS program, and fiscal services in both DEQ and DNRC. The Planning Division has a .5 FTE position for development of the WPCSRF and DWSRF databases. This person is coordinating database development and serves as liaison between SRF program staff and DEQ's data processing staff. Databases for each SRF Program are nearly operational and will facilitate federal reporting during SFY 05.

The following schedule indicates the key dates for continuation of the Drinking Water State Revolving Fund Loan Program in SFY05:

SFY05 ESTIMATED KEY DATES	**ACTIVITY**
July 2004	Held DWSRF bi-monthly meeting
September 2004	Held DWSRF bi-monthly meeting
October 2004	Attend Region VIII all states meeting
November 2004	Attend Fall CIFA Conference
November 2004	Hold DWSRF bi-monthly meeting
January 2005	Hold DWSRF bi-monthly meeting
Spring 2005	Hold infrastructure financing workshops to promote and market DWSRF program
March 2005	Hold DWSRF bi-monthly meeting
May 2005	Attend Spring CIFA Conference
May 2005	Hold DWSRF bi-monthly meeting

VIII. GLOSSARY OF ACRONYMS AND INITIALIZATIONS

ASAP	Automated Standard Application for Payments
AWWA/MWEA	American Water Works Association/Montana Water Environment Association
BAN	Bond Anticipation Note
CIFA	Council of Infrastructure Financing Authorities
DBE	Disadvantaged Business Enterprises
DEQ	Montana Department of Environmental Quality
DNRC	Montana Department of Natural Resources and Conservation
DWSRF	Drinking Water State Revolving Fund
EPA	Environmental Protection Agency
FFY	Federal Fiscal Year (which begins October 1 and ends September 30)
GAN	Grant Anticipation Note
GO	General Obligation
IUP	Intended Use Plan
LT2ESWTR	Long Term 2 Enhanced Surface Water Treatment Rule
LAC	Legislative Audit Committee
LAD	Legislative Audit Division
LOC	Letter of Credit
MBE	Minority Business Enterprises
MPDES	Montana Pollution Discharge Elimination System
NPS	Nonpoint Source
NMP	National Municipal Policy
PPAD	Planning, Prevention and Assistance Division
PPL	Project Priority List
PWSS	Public Water Supply Supervision
RSID	Rural Special Improvement District
SDWA	Safe Drinking Water Act
SFY	State Fiscal Year (which begins July 1 and ends June 30)
SID	Special Improvement District
SWP	Source Water Protection
TFAB	Technical and Financial Assistance Bureau
TSEP	Treasure State Endowment Program

USDA – RD	United States Department of Agriculture, Rural Development
W_2ASACT	Water, Wastewater and Solid Waste Action Coordinating Team
WBE	Women Business Enterprises
WPCSRF	Water Pollution Control State Revolving Fund

EXHIBIT 1: SOURCES OF DWSRF FUNDS THROUGH SFY04

Grant Number, Award Date & Year Funds Appropriated	State Fiscal Year Activity	Cap. Grant Amount	Projected State Match	Project Commitments by Fiscal Year	Actual State Match GO Bonds Issues
1) FS-998850-97 6/30/98; 1997	1998	$ 14,826,200	$ -	$ -	$ -
No Grants awarded in SFY99	1999	$ -	$ 2,965,240	$ 24,274,000	(1) ** $3,065,000
2) FS-998850-98 7/26/99; 1998	2000	$ 7,121,300	$ 1,424,260		$ -
3) FS-998850-99 9/14/99; 1999		$ 7,463,800	$ 1,492,760	$ 15,073,701	(2) $2,990,000
4) FS-998850-00 10/02/00; 2000	2001	$ 7,757,000	$ 1,551,400		$ -
5) FS-998850-01 05/21/01; 2001		$ 7,789,100	$ 1,557,820	$ 11,204,000	(3) $3,190,000
6) FS-998850-02 02/21/02; 2002	2002	$ 8,052,500	$ 1,610,500	$ 3,495,000	$ -
No Grants awarded in SFY03	2003	$ -		$ 9,090,000	(4) $1,675,000
6) FS-998850-03 07/16/03 (set asides) & 6/28/04; 2003	2004	$ 8,004,064	$ 1,600,813	$ 8,076,780	$ -
TOTAL		$ 61,013,964	$ 12,202,793	$ 71,213,481	$ 10,920,000

**Bond Anticipation Note issued 7-31-98 for $1,000,000, paid off by GO Bond for $3,065,000 issued 10-6-98

1) First General Obligation Bond Issued October 1, 1998 for $3,065,000
2) Second General Obligation Bond Issued April 15, 2000 for $2,990,000
3) Third General Obligation Bond Issued June 15, 2001 for $3,190,000
4) Fourth General Obligation Bond Issued June 15, 2003 for $1,675,000

EXHIBIT 2: DWSRF SFY04 BINDING COMMITMENTS EXECUTED

Public Entity	Type of Security	B.C. Date	B.C. Amount	Bond Amount	Total Drawn **	Balance Remaining	Closing Date	Gross interest	Net Interest	Term
Bozeman	Revenue	5/14/2004	$ 100,000	-	-	-		3.75%	2.00%	20
Charlo	Revenue	1/12/2004	$ 100,000	-	-	-		3.75%	2.00%	20
Dry Prairie	Revenue	9/2/2003	$ 313,000	-	-	-		2.75%	2.00%	20
Gardiner Park County II	Revenue	9/2/2003	$ 1,071,000	-	-	-		3.75%	2.00%	20
Hamilton II - B (Increase) *	Revenue	10/20/2003	$ 203,000	$ 203,000	$ 203,000	-	5/17/2004	3.75%	2.00%	20
Hamilton II - C (Increase) *	Revenue	10/20/2003	$ 380,000	-	-	-		3.75%	2.00%	20
Miles City	Revenue	12/11/2003	$ 1,967,000	-	-	-		3.75%	2.00%	20
Neihart	Revenue/GO	4/27/2004	$ 110,000	-	-	-		2.75%	2.00%	12
Neihart/TRAN	Revenue	4/30/2004	$ 35,000	-	-	-		2.75%	2.00%	1
Phillips County - Green Meadows	GAN	2/24/2003	$ 100,000	$ 100,000	$ 89,910	$ 10,090	5/24/2004	2.75%	2.00%	2
Phillips County - Green Meadows	Revenue	12/11/2003	$ 65,000	$ 65,000	$ 25,915	$ 39,085	6/22/2004	2.75%	2.00%	25
Shelby	Revenue	3/24/2004	$ 1,119,000	-	-	-		3.75%	2.00%	20
Sheridan	Revenue	10/20/2003	$ 277,000	$ 265,200	$ 265,200	-	2/10/2004	2.75%	2.00%	20
Superior	Revenue	5/13/2004	$ 500,000	-	-	-		2.75%	2.00%	20
Superior	Revenue	5/13/2004	$ 1,300,780	-	-	-		3.75%	2.00%	20
Three Forks	Revenue	2/26/2004	$ 336,000	$ 336,000	$ 122,106	$ 213,894	5/27/2004	3.75%	2.00%	20
Worden-Ballentine Co W & S	GAN	10/15/2003	$ 100,000	-	-	-		2.75%	2.00%	2
Worden-Ballentine Co W & S (Increase) **	Revenue	11/17/2003	$ 104,000					3.75%	2.00%	20
Total Committed			$ 8,180,780	$ 969,200	$ 706,131	$ 263,069				

***Total Drawn amount does not include prior FY disbursements.

*Hamilton total BC $1,418,000

**Worden-Ballentine Co W & S total BC $940,000

EXHIBIT 3: DWSRF CAPITALIZED GRANT CLOSED LOANS FOR SFY 04

Public Entity	Type of Security	B.C. Date	B.C. Amount	Loan Amount	Total Drawn	Balance Remaining	Closing Date	Gross interest
Hamilton I	Revenue	2/24/2003	$500,000	$500,000	$500,000	-	4/14/2004	2.75%
Hamilton II	Revenue	2/24/2003	$318,000	$318,000	$318,000	-	5/17/2004	3.75%
LaCasa WSD	SID	4/27/2001	$500,000	$500,000	$484,814	$15,186	9/19/2003	2.75%
Phillips County - Green Meadows	GAN	12/2/2003	$100,000	$100,000	$89,910	$10,090	5/24/2004	2.75%
Phillips County - Green Meadows	Revenue	12/11/2003	$65,000	$65,000	$25,915	$39,085	6/22/2004	2.75%
Power Teton	Revenue	8/10/2001	$400,000	$400,000	$380,000	$20,000	11/18/2003	2.75%
Three Forks	Revenue	2/26/2004	$336,000	$336,000	$122,106	$213,894	5/27/2004	3.75%
Closed Loans			$ 2,219,000	$ 2,219,000	$ 1,920,745	$ 298,255		

EXHIBIT 4: DWSRF RECYCLED CLOSED LOANS FOR SFY 04

Public Entity	Type of Security	B.C. Date	B.C. Amount	Loan Amount	Total Drawn	Balance Remaining	Closing Date	Gross interest
Sheridan	Revenue	10/20/2003	$ 277,000	$ 265,200	$265,200	$ -	2/10/2004	2.75%
Closed Loans			$ 277,000	$ 265,200	$265,200	$ -		

EXHIBIT 5: HISTORY OF DWSRF BINDING COMMITMENTS

Federal Fiscal QTR/YR	State Fiscal Year	Qtr	Grant Payments	Cumulative Payments	Binding Commitment	Fiscal Year Binding Commitment	Cumulative Binding Commitment	BC/Payments One Year Earlier
4Q FFY97	SFY98	1	$0	$0	$0	$0	$0	
1Q FFY98	SFY98	2						
2Q FFY98	SFY98	3						
3Q FFY98	SFY98	4	$15,094,248	$15,094,248				
4Q FFY98	SFY99	1		$15,094,248	$22,935,000		$22,935,000	
1Q FFY99	SFY99	2		$15,094,248	$291,000		$23,226,000	
2Q FFY99	SFY99	3		$15,094,248			$23,226,000	
3Q FFY99	SFY99	4		$15,094,248	$1,048,000	$24,274,000	$24,274,000	
4Q FFY99	SFY00	1	$7,777,812	$22,872,060	$4,193,000		$28,467,000	
1Q FFY00	SFY00	2		$22,872,060	$3,832,000		$32,299,000	213.98%
2Q FFY00	SFY00	3		$22,872,060	$2,321,373		$34,620,373	229.36%
3Q FFY00	SFY00	4		$22,872,060	$4,727,328	$15,073,701	$39,347,701	260.68%
4Q FFY00	SFY01	1	$8,173,932	$31,045,992	$1,250,000		$40,597,701	177.50%
1Q FFY01	SFY01	2		$31,045,992	$2,265,000		$42,862,701	187.40%
2Q FFY01	SFY01	3		$31,045,992	$2,893,000		$45,755,701	200.05%
3Q FFY01	SFY01	4		$31,045,992	$4,796,000	$11,204,000	$50,551,701	221.02%
4Q FFY01	SFY02	1	$8,648,120	$39,694,112	$1,641,000		$52,192,701	168.11%
1Q FFY02	SFY02	2		$39,694,112	$1,066,000		$53,258,701	171.55%
2Q FFY02	SFY02	3		$39,694,112	$604,000		$53,862,701	173.49%
3Q FFY02	SFY02	4	$8,910,356	$48,604,468	$184,000	$3,495,000	$54,046,701	174.09%
4Q FFY02	SFY03	1		$48,604,468	$2,500,000		$56,546,701	142.46%
1Q FFY03	SFY03	2		$48,604,468	$887,000		$57,433,701	144.69%
2Q FFY03	SFY03	3	$8,805,900	$57,410,368	$4,703,000		$62,136,701	156.54%
3Q FFY03	SFY03	4		$57,410,368	$1,000,000	$9,090,000	$63,136,701	129.90%
4Q FFY03	SFY04	1		$57,410,368	$1,384,000		$64,520,701	132.75%
1Q FFY04	SFY04	2		$57,410,368	$1,229,000		$65,749,701	135.28%
2Q FFY04	SFY04	3		$57,410,368	$3,355,780		$69,105,481	120.37%
3Q FFY04	SFY04	4	$8,574,713	$65,985,081	$2,212,000	$8,180,780	$71,317,481	124.22%
	TOTALS		$65,985,081				$ 63,136,701	
	CUM TOTAL		$65,985,081				$ 63,136,701	

EXHIBIT 6: DWSRF PROJECTED BINDING COMMITMENTS SFY 05

Public Entities	Estimated Date of Commitment	Estimated Loan Amounts
Bozeman	Jan-05	$4,000,000
Great Falls	Jan-05	$2,000,000
Libby	Jan-05	$2,835,000
Lockwood W & S District	Feb-05	$1,000,000
Pleasant View W & S District	May-05	$92,000
Polson	Jan-05	$500,000
Power-Teton II	Jan-05	$408,000
Sun Prairie W & S District	Mar-05	$2,933,000
Sun Prairie W & S District (refinance WDL loan)	Feb-05	$300,000
Total		$14,068,000

EXHIBIT 7: WPCSRF TRANSFERRED RECYCLED FUNDS FOR THE DRINKING WATER SRF

	Public Entity	Type of Security	Transfer Date	Disbursed Amount
SFY 2000	Boulder	Revenue	6/15/2000	$ 1,294,000
	Broadview	Revenue	2/7/2000	$ 203,000
	Columbia Falls	Revenue	5/8/2000	$ 907,000
	Cut Bank I	Revenue	12/6/1999	$ 283,000
	Havre I	Revenue	5/26/2000	$ 146,328
	Plentywood	Revenue	8/31/1999	$ 577,000
	Seeley Lake W & S	Revenue	9/8/1999	$ 1,340,000
SFY 2001	Missoula County Fairgrounds	GO	7/20/2000	$ 232,158
	Lockwood W & S	Revenue	4/27/2001	$ 1,700,000
	River Rock W & S	Revenue	5/1/2001	$ 2,100,000
SFY 2002	No Transfers in FY2002			$ -
SFY 2003	No Transfers in FY2003			$ -
SFY 2004	No Transfers in FY2004			$ -
	Transferred Loan Amount			$ 8,782,486

Transfer I Authority	$	4,892,646	(33% of 1996 & 1997 Grants)
Transfer II Authority	$	2,350,029	(33% of 1998 Grant)
Transfer III Authority	$	2,463,054	(33% of 1999 Grant)
	$	9,705,729	

Disbursed for FY00	$	4,750,328
Disbursed for FY01	$	4,032,158
Disbursed for FY02	$	-
Disbursed for FY03	$	-
Disbursed for FY04	$	-
	$	8,782,486
Transfer Balance Remaining	$	923,243

EXHIBIT 8: DWSRF TRANSFERRED RECYCLED FUNDS FOR THE WATER POLLUTION CONTROL SRF

	Public Entity	Type of Security	Transfer Date	Disbursed Amount
SFY 2003	No funds transferred in SFY			$ -
SFY 2004	RDB VI	GO Bond	4/12/2004	$ 32,654
	RDB VII	GO Bond	4/12/2004	$ 266,614
	Missoula-Mullan Rd	Revenue	4/12/2004	$ 783,016
	Missoula County SID 524	SID	4/12/2004	$ 538,104
	Belgrade	Revenue	4/12/2004	$ 48,669
	Sweet Grass	Revenue	4/12/2004	$ 1,310
	Big Sky III	GO Bond	4/12/2004	$ 570,588
	Manhattan II	Revenue	4/12/2004	$ 69,802
	Disbursed Amount			$ 2,310,757

Transfer I Authority	$ 2,559,810	(33% of 2000 Grant)	
	$ 2,559,810		
Disbursed for FY03	$ -		
Disbursed for FY04	$ 2,310,757		
	$ 2,310,757		
Transfer Balance	$ 249,053		

EXHIBIT 8A: HISTORY OF THE TRANSFER INFORMATION

Fiscal Year	Wastewater to Drinking Water	Drinking Water to Wastewater
1997	$4,892,646	$0
1998	$2,350,029	$0
1999	$1,539,811	$0
2000	$0	$0
2001	$0	$0
2002	$0	$0
2003	$0	$0
2004	$0	$2,559,810
	$8,782,486	$2,559,810

In fiscal year 2005 the demand is very strong in the wastewater program there may need to be a transfer of funds from the Drinking Water Program to the Wastewater Program of $1.0 to $3.0 million dollars.

**SFY 1999 Amount of $1,539,811 indicates the amount actually transferred not the authority amount listed on exhibit 6.

Note: All funds transferred between programs have been from recycled funds.

EXHIBIT 9: SUMMARY OF DRINKING WATER SRF FEDERAL DRAWS SFY04

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
1st Quarter							
07/01/03	101,444					101,444	25,361
07/25/03	301,838					301,838	75,460
07/29/03		19,130		79,276	99,165	197,571	
08/06/03				1,500	2,500	4,000	
08/11/03	116,623					116,623	29,156
08/19/03	256,646					256,646	64,161
08/25/03		18,990	100	15,803	2,300	37,193	
08/28/03		22,264	43,687	(11,257)		54,694	
08/29/03					5,600	5,600	
09/03/03	169,717					169,717	42,429
09/04/03		10,506	3,700	12,396		26,602	
09/12/03	97,603					97,603	
09/22/03		12,162		20,255	6,850	39,267	
09/23/03	573,601					573,601	143,400
09/26/03				10,000		10,000	
1st Quarter Draws	**$ 1,617,472**	**$ 83,052**	**$ 47,487**	**$ 127,973**	**$ 116,415**	**$ 1,992,399**	**$ 379,967**

Exhibit 9 continued:
SUMMARY OF DRINKING WATER SRF FEDERAL DRAWS
STATE FISCAL YEAR 2004

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
2nd Quarter							
10/03/03	229,713					229,713	
10/07/03	53,556	12,028		10,268	7,248	83,100	13,389
10/15/03	56,355	8,904		5,898	18,813	89,970	14,089
10/22/03	412,442					412,442	103,110
10/23/03	213,472					213,472	53,368
10/28/03				35,525	13,627	49,152	
11/04/03	32,279					32,279	8,070
11/07/03		3,202		17,241	4,763	25,206	
11/14/03		11,284		6,314	12,554	30,152	
11/18/03		21,264		4,392		25,656	
11/21/03	217,828					217,828	54,457
11/24/03			(17,156)	17,156		-	
12/03/03		18,220	28,005	20,928	4,386	71,539	
12/05/03	68,840					68,840	17,210
12/12/03		17,812	2,147	10,422	3,527	33,908	
12/15/03		178		9,368	5,127	14,673	
12/16/03	83,925					83,925	
2nd Quarter Draws	**$ 1,368,410**	**$ 92,892**	**$ 12,996**	**$ 137,512**	**$ 70,045**	**$ 1,681,855**	**$ 263,693**

Exhibit 9 Continued:
SUMMARY OF DRINKING WATER SRF FEDERAL DRAWS
STATE FISCAL YEAR 2004

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
3rd Quarter							
01/05/04		29,299		9,744	15,543	54,586	
01/08/04	23,383					23,383	5,846
01/13/04	76,478					76,478	19,120
01/22/04	91,667					91,667	22,917
01/24/04		17,415		18,905		36,320	
02/02/04		9,264		417		9,681	
02/04/04	107,630					107,630	26,907
02/20/04		23,232		35,361		58,593	
02/26/04	26,366					26,366	6,592
03/03/04	91,224					91,224	22,806
03/05/04		39,044		41,012	3,727	83,783	
03/10/04	244,437					244,437	61,109
03/29/04	1,124					1,124	281
3rd Quarter Draws	**$ 662,309**	**$ 118,254**	**$ -**	**$ 105,439**	**$ 19,270**	**$ 905,272**	**$ 165,578**

Exhibit 9 Continued:
SUMMARY OF DRINKING WATER SRF FEDERAL DRAWS
STATE FISCAL YEAR 2004

Date	Loans	Set-Aside Components				Total Drawn	State Match
		Admin	Tech Asst	State Program	Local Asst		
4th Quarter							
04/05/04			0	(2,967)	5,137	2,170	
04/07/04	28,389					28,389	7,097
04/26/04		31,592	15,086	16,102	23,141	85,921	
05/01/04		5,772	1,426	7,952	1,120	16,270	
05/12/04	464,043					464,043	116,011
05/19/04	71,928					71,928	17,982
05/21/04	20,426					20,426	5,107
05/26/04	42,893					42,893	10,723
05/27/04		31,861	178	46,500	3,630	82,169	
06/02/04	97,380					97,380	
06/03/04	313,603					313,603	78,401
06/11/04		13,646	127	16,797	2,164	32,734	
06/16/04	20,890					20,890	5,222
06/18/04	20,732					20,732	5,183
06/29/04		7,552	28,097	21,453	4,700	61,802	
4th Quarter Draws	**$ 1,080,284**	**$ 90,423**	**$ 44,914**	**$ 105,837**	**$ 39,892**	**$ 1,361,350**	**$ 245,726**

Total FY04 Draws	**$ 4,728,475**	**$ 384,621**	**$ 105,397**	**$ 476,761**	**$ 245,622**	**$ 5,940,876**	**$ 1,054,964**

EXHIBIT 10: DRINKING WATER STATE REVOLVING FUND STATE FISCAL YEAR 2004
BUDGET V. DRAW BY CATEGORY

Program Name: FS998850 - 97	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	593,048	593,048		-
Technical Assistance	296,524	296,524		-
State Programs				
Public Water Supply Administration	120,000	120,000		-
Source Water Protection/Database	100,000	100,000	-	-
Capacity Development*	50,000	50,000	-	-
Operator Certification*	55,000	55,000	-	-
Subtotal	*325,000*	*325,000*	-	-
Local Assistance	1,482,620	1,030,712	245,622	206,286
Loans	12,129,008	12,129,008	-	-
Total	**14,826,200**	**14,374,292**	**245,622**	**206,286**

Program Name: FS998850 - 98	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	284,852	284,852	-	-
Technical Assistance	142,426	142,426	-	-
State Programs				
Public Water Supply Administration	155,470	155,470	-	-
Source Water Protection/Database**	105,000	105,000		-
Capacity Development*	10,000	10,000	-	-
Operator Certification*	70,000	70,000		-
Subtotal	*340,470*	*340,470*	-	-
Loans	6,353,552	6,353,552	-	-
Total	**7,121,300**	**7,121,300**	**-**	**-**

Exhibit 10 Continued:

Program Name: FS998850 - 99	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	298,552	298,552	-	-
Technical Assistance	149,276	73,562	75,571	143
State Programs				
Public Water Supply Administration	154,800	154,800	-	-
Source Water Protection/Database**	100,000	37,296	60,539	2,165
Capacity Development*	10,000	10,000	-	-
Operator Certification*	70,000	70,000	-	-
Subtotal	*334,800*	*272,096*	*60,539*	*2,165*
Loans	6,681,172	6,681,172	-	-
Total	**7,463,800**	**7,325,382**	**136,110**	**2,308**

Program Name: FS998850 - 00	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	310,280	310,280		-
State Programs				
Public Water Supply Administration	155,000	155,000		-
Source Water Protection/Database**	75,000	73,390		1,610
Capacity Development*	50,000	50,000		-
Operator Certification*	70,000	70,000		-
Subtotal	*350,000*	*348,390*	-	*1,610*
Loans	7,096,720	7,096,720		-
Total	**7,757,000**	**7,755,390**	**-**	**1,610**

Exhibit 10 Continued:

Program Name: FS998850 - 01	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	311,564	311,564		-
State Programs				
Source Water Protection/Database**	75,000	62,222	12,778	-
Capacity Development*	50,000	34,790	15,202	8
Subtotal	*125,000*	*97,012*	*27,980*	*8*
Loans	7,352,536	1,383,150	4,728,475	1,240,911
Total	**7,789,100**	**1,791,726**	**4,756,455**	**1,240,919**

Program Name: FS998850 - 02	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	322,100	225,312	96,780	8
State Programs				
Public Water Supply Administration	395,000	174,953	219,869	178
Capacity Development*	50,000	-	48,174	1,826
Operator Certification*	90,000	61,352	28,648	-
Subtotal	*535,000*	*236,305*	*296,691*	*2,004*
Loans	7,195,400	-	-	7,195,400
Total	**8,052,500**	**461,617**	**393,471**	**7,197,412**

Exhibit 10 Continued:

Program Name: FS998850 - 03	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	320,164		287,841	32,323
Technical Assistance	125,000		29,826	95,174
State Programs				
Source Water Protection/Database**	100,000		29,165	70,835
Public Water Supply Administration	395,000		25,000	370,000
Operator Certification*	90,000		37,386	52,614
Subtotal	*585,000*	-	*91,551*	*493,449*
Loans	6,973,900	-	-	6,973,900
Total	**8,004,064**	**-**	**409,218**	**7,594,846**

Program Name: Total All Grants	Budget	Previous Draws	SFY 04 Draws	Balance 6/30/2004
Administration	2,440,560	2,023,608	384,621	32,331
Technical Assistance	713,226	512,512	105,397	95,317
State Programs				
Public Water Supply Administration	1,375,270	760,223	244,869	370,178
Source Water Protection/Database	555,000	377,908	102,482	74,610
Capacity Development*	220,000	154,790	63,376	1,834
Operator Certification*	445,000	326,352	66,034	52,614
Subtotal	*2,595,270*	*1,619,273*	*476,761*	*499,236*
Local Assistance	1,482,620	1,030,712	245,622	206,286
Loans	53,782,288	33,643,602	4,728,475	15,410,211
Total	**61,013,964**	**38,829,707**	**5,940,876**	**16,243,381**

EXHIBIT 11: DWSRF LOANS MBE/WBE FOR CONTRACTS AWARDED DURING SFY04

FFY Qtr/Yr	SFY Qtr/Yr	Borrower	Loan No.	Bid Amount	Loan Amount	DBE Type	DBE Amount	DBE Goal Percent #
04/02	01/03	Dry Prairie	WRF05-061	$4,235,086	$313,000	DBE	$30,750	0.73%
		Hamilton - Ph I	WRF03049	$111,802	$220,000	WBE	$111,802	100.00%
01/03	02/03	Hamilton - Ph 2a	WRF04054	$1,104,000	$500,000	-	-	
		Hamilton - Ph 2b	WRF04057		$318,000	-	-	
		Hamilton - Ph 2c	WRF05060	$1,778,720	$380,000	DBE	$49,400	1.43%
02/03	03/03	Phillips Co.-Grn Mdw	WRF04-056	$164,160	$165,000	-	-	
03/03	04/03	Three Forks	WRF04055	$116,064	$336,000	-	-	
						-	-	
						-	-	